



*westburne international
industries ltd.*

annual report 1972

WESTBURNES WORLD



 **WESTBURNE DRILLING DIVISION**
(including various joint venture interests)

 PLUMBING AND ELECTRICAL SUPPLY STORES

 GAS DISCOVERIES

 OIL DISCOVERIES

 PROVEN OIL RESERVES - 6,300,000 NET BARRELS

westburne international industries ltd.

AND SUBSIDIARY COMPANIES

Financial Highlights

	1972	1971
For the Year Ended March 31 —		
Total Operating Revenue	\$130,636,000	\$104,714,000
Net Earnings For The Year	3,118,000	3,354,000
Net Earnings Applicable To Common Shares		
Before Extraordinary Items	2,570,000	2,673,000
Per Common Share	0.85	0.92
After Extraordinary Items	2,605,000	2,846,000
Per Common Share	0.86	0.98
Cash Flow	4,943,000	5,183,000
Per Common Share	1.64	1.79
As at March 31 —		
Fixed Assets — Net	32,441,000	27,421,000
Total Assets	90,466,000	71,229,000
Long Term Debt — less amount due within one year	13,428,000	12,116,000
Shareholders' Equity		
Preferred	6,927,000	7,030,000
Common	24,932,000	21,066,000
Per Common Share	8.27	7.28
Total Equity	31,859,000	28,096,000
Number of common shares outstanding (net)	3,015,693	2,893,303



Westburne's Head Office, Calgary, Alberta

To The Shareholders

It is a tribute to the efforts of the entire Westburne organization that I am able to report record operating revenues for the year. Volume was \$130,636,000 in fiscal 1972, an increase of 25% over the \$104,714,000 of 1971.

Earnings from operations improved by 17% but reduced indirect earnings and extraordinary gains contributed to a decline in net earnings to \$3,118,000 from \$3,354,000.

Net earnings applicable to common shares before extraordinary items were 85 cents per share compared to 92 cents, and after extraordinary items were 86 cents per share compared to 98 cents.

Cash flow from operations totalled \$4,943,000.

Equipment and Supply Division

During the year under review the Canadian building industry fully recovered from the 1970 recession. In this improved economic climate Westburne's plumbing, heating and electrical subsidiaries achieved all-time sales records. Housing starts for Canada, a prime economic indicator, rose from 191,000 units to 234,000 units, a gain of 22.5%. The sales volume of the equipment and supply division exceeded \$109,358,000 for fiscal 1972 compared with \$84,686,000 for the previous year. Gross sales of plumbing, heating and electrical products, which represent the bulk of the sales of that division, increased by approximately 32%. Operations earnings of the division totalled \$3,897,000, up by 40% from 1971.

During the year we continued our expansion programme in both the plumbing and heating and in electrical supply distribution and now operate from 60 branches across Canada. Three new plumbing and heating branches were opened—Sault Ste. Marie, Prince George and Dartmouth-Halifax. The latter two became operational late in the year and therefore

contributed only in a minor way to this year's sales volume. New, larger and more efficient warehouses were built in Prince George, Regina and Quebec City to replace older facilities. In the electrical industry, we acquired for cash two wholesale suppliers towards the end of 1971. Amesco (1967) Ltd. has its Head Office in Winnipeg and branches in Regina and Thompson and G.G. McKeough Ltd. is based in Windsor, Ontario. At the time this report was being prepared, another acquisition, that of Haldane Electric Supply Limited and its associated companies was being completed. Haldane is a large multi-branch Toronto based electrical wholesaler serving Ontario. Outlets are located in Toronto, Streetsville, Scarborough, Barrie, Kingston and Hamilton.

Financial results of Amesco (1967) Ltd. and G.G. McKeough Ltd. have been consolidated since December 1, 1971 (effective date of acquisition) and have only contributed modestly to the overall results of the division for the year under review.

Preparatory steps were taken to integrate operations so that plumbing and heating supply branches would carry electrical supplies and electrical supply branches would also handle plumbing and heating lines. When this programme is fully achieved it will enhance the Company's market penetration on a national scale and contribute substantially to sales volume and earnings.

Sales and earnings from the operations of our oilfield supply subsidiary which are allied with drilling activity, remained at a level close to that of the previous year.

Drilling Division

Operating revenues of the contract drilling division were \$19,604,000, a 5% increase over the previous year. The Company fully maintained its position as the largest and most active Canadian contract drilling enterprise.

After a period of low activity in the first half of the year there was a notable increase in overall exploratory and development drilling during the last half of our fiscal year. Indications point to a continuation of this trend during 1972 and into 1973.

Experience in Arctic drilling over the past several years has demonstrated that highly sophisticated equipment is essential. Providing for the specialized needs of Arctic exploration requires substantially higher capital expenditures than is the case with conventional rigs. Westburne has not hesitated to commit the capital necessary to obtain full advantage from the opportunities offered in this expanding exploration area. As a 50% partner in a joint venture, we are conducting contract drilling operations with three rigs in the Arctic Islands for Panarctic Oils Ltd. Two additional rigs are being assembled for new contracts in the Arctic. In addition, rigs in the Yukon, Northwest Territories and on the North slope of Alaska are operated by Westburne. The division has

undertaken continuing engineering studies for a group of major oil companies to devise technical procedures and equipment for drilling in the Arctic Ocean.

Offshore drilling reached a record level in 1972. Westburne has a 5% interest in two semi submersible drilling vessels operating off the East coast of Canada and in a third which is in the North Sea. Construction of a fourth such unit is presently nearing completion in Halifax. An offshore jack-up rig located in Ghana, Africa was acquired in the latter part of the year.

Our foreign operations continue and are expanding in Algeria and Indonesia and in the coming year will commence in the Norwegian Arctic. Opportunities are also being explored for participation in contract drilling in other countries. The three rig operation in Australia was sold for cash due to the unfavourable outlook for land drilling in that country.

Exploration and Production Division

Production during the year amounted to 431,000 net barrels of oil and 1.26 billion cubic feet of natural gas compared with 354,000 net barrels of oil and 1.30 billion cubic feet of natural gas in the previous year. Revenue from the sale of oil and gas (after royalties) and water pipeline sales was \$1,674,000 an increase of 18% over 1971. Net crude oil production averaged 1,232 net barrels per day in March, 1972, an increase of 23% over the same month last year.

Westburne and its partners completed 31 oilwells in various fields in Western Canada and presently have plans to drill a further nine development wells. No dry holes were drilled.

As at January 1, 1972 McDaniel Consultants (1965) Ltd., independent reservoir engineers, estimated the Company's proven oil reserves at 6,300,000 net barrels and probable oil reserves of 5,647,000 net barrels. These reserves are contained in 13 fields in Saskatchewan, Alberta and British Columbia in 2,405 gross wells, or 106 net wells.

Through its 2.26% interest in Panarctic Oils Ltd. the Company participated in the discovery of crude oil in an exploratory well on Ellesmere Island and large gas reserves in three wells on other of the Arctic Islands.

The Company has a participation in six production licences awarded by the United Kingdom Government. This participation consists of 5% interest in two blocks in the North Sea, one block in the West Shetland Islands area and two blocks in the Celtic Sea and a 2.5% interest in one block in the North Sea. The prolific production capabilities of recent discoveries in the North Sea have proven this to be one of the most attractive areas for exploratory drilling in the world today.

The Baker Lake Uranium prospect in the Northwest Territories, in which the Company has a 40% working interest, was further evaluated this past

summer by additional field work. Since the permit covering this prospect was in the final year of its three year term, the maximum allowable of 450 claims were staked within the permit area.

Outlook

The discovery of crude oil on Ellesmere Island, the further discoveries of natural gas on the other Arctic Islands and the development of very rich natural gas and oil reserves in the Mackenzie River Delta have combined to focus continental attention on the Canadian North. These developments have come most fortuitously at a time when concern is growing over the adequacy of North American energy reserves. An example of that concern is the planned expenditure over the next five years of more than \$200,000,000 in exploration on Panarctic lands alone.

With its share interest in Panarctic Oils Ltd. and its interest in the North Sea permits, together with its participation in contract drilling ventures in both areas, Westburne is well placed to obtain the maximum possible advantage from the intensified exploratory activities that will extend into the future.

In Alberta, recently announced changes in oil production regulations are expected to provide a positive incentive for expanding exploration drilling. It is anticipated that a continuation of exploratory drilling in Canada at a high level should lead to additional development drilling. This domestic work, along with the growing activity of our foreign subsidiary, indicate a successful year for this division in fiscal 1973.

The Canadian economy is now apparently set on an expansionary course which should provide increasingly profitable opportunities for our equipment and supply division and the newly acquired electrical wholesale enterprises.

In summary—each of our operating divisions looks to the future with confidence.

ON BEHALF OF THE BOARD OF DIRECTORS



JOHN A. SCRYMGEOUR
President and Chairman of the Board

June 2, 1972

westburne international industries ltd.

AND SUBSIDIARY COMPANIES

Summarized Earnings of Operating Divisions (1)
(Thousands of Dollars)

	Year Ended March 31, 1972				Year Ended March 31, 1971			
	Operating Revenues	Administrative & General Expenses	Depreciation & Depletion	Earnings from Operations	Operating Revenues	Administrative & General Expenses	Depreciation & Depletion	Earnings from Operations
Equipment and Supplies . . .	\$109,358	\$13,955	\$ 496	\$ 3,897	\$ 84,686	\$10,736	\$ 453	\$ 2,781
Contract Drilling . . .	19,604	1,723	1,033	2,129	18,608	1,624	942	2,534
Oil and Mineral Exploration and Production . . .	1,674	48	569	342	\$ 1,420	\$ 62	\$ 553	\$ 276
	<u>\$130,636</u>	<u>\$15,726</u>	<u>\$ 2,098</u>	<u>\$ 6,368</u>	<u>\$104,714</u>	<u>\$12,422</u>	<u>\$ 1,948</u>	<u>\$ 5,591</u>
Add (Deduct)								
General administrative expenses			(445)					\$ (517)
Interest expense . . .			(1,881)					(1936)
Interest and other investment income .			815					920
Gain on sale of fixed assets . . .			2					265
Extraordinary gains less losses			35					173
Income taxes			(1,536)	(3,010)				(909) (2,004)
Earnings before minority interest . . .				\$ 3,358				\$ 3,587

NOTE — (1) Figures are presented by type of business activity rather than corporate entity.

Consolidated Balance Sheet as at March 31, 1972

(Thousands of Dollars)

ASSETS

	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash and short term deposits	\$ 1,269	\$ 998
Accounts receivable	26,310	20,658
Inventories, at lower of cost or net realizable value	22,547	16,124
Prepaid expenses	414	361
TOTAL CURRENT ASSETS	<u>50,540</u>	<u>38,141</u>
INVESTMENTS AND ADVANCES, at cost (Note 2)		
Shares and advances		
Panarctic Oils Ltd.	1,316	936
Other	965	743
Notes and mortgages receivable	344	302
Notes receivable — directors and employees	1,895	1,895
	<u>4,520</u>	<u>3,876</u>
FIXED ASSETS, at cost (Note 3)	50,150	43,954
Less accumulated depreciation and depletion	17,709	16,533
	<u>32,441</u>	<u>27,421</u>
FINANCIAL EXPENSES, less amounts amortized	186	200
EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION (Note 4)	2,779	1,591
TOTAL ASSETS	<u>\$ 90,466</u>	<u>\$ 71,229</u>

SIGNED ON BEHALF OF THE BOARD:

J. A. SCRYSMGEOUR,
Director.

LUCIEN CORNEZ,
Director.

LIABILITIES

	<u>1972</u>	<u>1971</u>
CURRENT LIABILITIES:		
Bank loans, secured (Note 5)	\$ 15,925	\$ 9,035
Accounts payable	19,231	13,418
Income taxes payable (Note 7)	1,191	(87)
Dividend payable	75	76
Long-term debt due within one year	2,520	2,332
TOTAL CURRENT LIABILITIES	<u>38,942</u>	<u>24,774</u>
LONG TERM DEBT LESS AMOUNT DUE WITHIN ONE YEAR (Notes 5 and 6)	13,428	12,116
DEFERRED INCOME TAXES (Note 7)	2,875	2,763
MINORITY INTEREST (Note 8)	3,362	3,480
TOTAL LIABILITIES	<u>58,607</u>	<u>43,133</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 9)		
Preferred	6,927	7,030
Common	3,016	2,893
CONTRIBUTED SURPLUS (Note 10)	1,776	678
RETAINED EARNINGS (Note 11)	20,140	17,495
TOTAL SHAREHOLDERS' EQUITY	<u>31,859</u>	<u>28,096</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 90,466</u></u>	<u><u>\$ 71,229</u></u>

Auditors' Report

The Shareholders
Westburne International Industries Ltd.

We have examined the consolidated balance sheet of Westburne International Industries Ltd. and its subsidiaries as at March 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. For Westburne International Industries Ltd. and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the sources and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 26, 1972
Calgary, Alberta

Touche Ross & Co.
Chartered Accountants.

westburne international industries ltd.

AND SUBSIDIARY COMPANIES

***Consolidated Statement of Earnings
for the year ended March 31, 1972***

(Thousands of Dollars)

	1972	1971
OPERATING REVENUES:		
Sales of merchandise	\$109,358	\$ 84,686
Contract drilling	19,604	18,608
Oil and gas production	1,674	1,420
	<u>130,636</u>	<u>104,714</u>
COST AND EXPENSES:		
Cost of sales — merchandise	91,010	70,669
Contract drilling	14,720	13,510
Oil and gas production	714	573
Depreciation and depletion (Note 3)	2,139	1,967
Selling, general and administrative	16,130	12,921
	<u>124,713</u>	<u>99,640</u>
EARNINGS FROM OPERATIONS	<u>5,923</u>	<u>5,074</u>
OTHER EXPENSES (REVENUES)		
Interest — long term debt	1,174	1,139
Other interest	707	797
Interest and other investment income	(815)	(920)
Gain on sale of fixed assets	(2)	(265)
	<u>1,064</u>	<u>751</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	<u>4,859</u>	<u>4,323</u>
INCOME TAXES (Note 7)		
Current	1,425	607
Deferred	111	302
	<u>1,536</u>	<u>909</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>3,323</u>	<u>3,414</u>
EXTRAORDINARY ITEMS		
Loss on sale of investments	(6)	—
Gain on foreign exchange	41	173
	<u>3,358</u>	<u>3,587</u>
EARNINGS BEFORE MINORITY INTEREST	<u>240</u>	<u>233</u>
Minority Interest	<u>\$ 3,118</u>	<u>\$ 3,354</u>

Earnings per common share after dividends on preferred shares — (Note 16)

westburne international industries ltd.

AND SUBSIDIARY COMPANIES

*Consolidated Statement of Retained Earnings
for the year ended March 31, 1972*
(Thousands of Dollars)

	1972	1971
BALANCE AT BEGINNING OF YEAR	\$ 17,495	\$ 18,444
ADD		
Net earnings for the year	3,118	3,354
Reduction of minority interest arising from increase in the ownership of United Westburne Industries Limited to 95.48%	40	643
Earnings from discontinued operations (Note 1 (c))	—	720
	<u>20,653</u>	<u>23,161</u>
DEDUCT		
Dividends on preferred shares		
Series A	404	391
1970 Series	84	92
1969 Series	25	25
Increase in minority interest on issue of preferred shares to minority shareholders of subsidiary companies	—	1
Financial expenses (net of applicable income taxes of \$236,300)	—	236
Reduction in respect of severance of Trimac Transportation Limited (Note 1 (c))	—	4,478
Pooling of interest adjustment related to severance of Trimac Transportation Limited	—	443
BALANCE AT END OF YEAR	<u><u>\$ 20,140</u></u>	<u><u>\$ 17,495</u></u>

*Consolidated Statement of Source and Application of Funds
For the year ended March 31, 1972*

(Thousands of Dollars)

	1972	1971
WORKING CAPITAL — OPENING BALANCE	<u>\$ 13,367</u>	<u>\$ 11,083</u>
SOURCE OF FUNDS		
Net earnings	3,118	3,354
Depreciation and depletion	2,139	1,967
Deferred income tax	111	302
Other	88	68
Cash flow from operations	5,456	5,691
Increase in long term debt	4,201	5,264
Net book value of fixed assets sold	1,884	502
Collection of notes and mortgages (net)	82	356
Deferred income tax of subsidiary acquired	—	145
Issue of capital stock		
Common shares	110	125
Preferred shares Series A	—	135
Preferred shares 1970 Series	—	280
Less notes accepted as consideration for issue of 1970 Series	—	(280)
Allocated to Contributed Surplus	990	211
Sundry	24	5
Adjustment in respect of severance of Trimac Transportation Limited	—	338
Total	<u>12,747</u>	<u>12,772</u>
APPLICATION OF FUNDS		
Capital expenditures	9,008	5,495
Purchase of investments	726	257
Repayment of long term debt	2,889	2,520
Dividends on preferred shares	513	508
Financial and organization expense	—	117
Excess cost of investment in shares of subsidiaries acquired over net book value of assets	1,188	65
Reduction of minority interest by payment off of preferred shares and acquisition of additional common shares of a subsidiary	192	1,066
Redemption of preferred shares 1970 Series	—	460
Total	<u>14,516</u>	<u>10,488</u>
INCREASE (DECREASE) OF WORKING CAPITAL	<u>(1,769)</u>	<u>2,284</u>
WORKING CAPITAL — CLOSING BALANCE	<u>\$ 11,598</u>	<u>\$ 13,367</u>

westburne international industries ltd.

AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements March 31, 1972

1. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING POLICY

(a) The consolidated financial statements include the accounts of Westburne International Industries Ltd. and all subsidiary companies (collectively called for the purposes of these notes "the Company"). 618,980 Common Shares of Westburne International Industries Ltd. owned by a subsidiary and carried at a cost of \$2,274,000 are eliminated on consolidation.

(b) Assets and liabilities and income and expenses of the Company which are in currencies other than Canadian dollars are converted into Canadian funds on the following basis:

- Current assets and current liabilities at exchange rates in effect at the end of the period;
- All non-current assets and liabilities at the rates prevailing when acquired or incurred; and
- Income and expenses, except depreciation and depletion, at the average rate for the period.

(c) Effective December 31, 1970, Trimac Transportation Limited ("Trimac") was resold to the former owners of that company by delivering to them all of the issued and outstanding shares of Trimac in exchange for 1,048,000 Common Shares of the Company surrendered for cancellation and a cash payment of \$200,000.

The 1971 adjustment of retained earnings in respect of the severance of Trimac from the Company is summarized as follows:

Retained earnings of Trimac contributed to the company on consolidation on a pooling of interest basis at April 1, 1969	\$ 3,232,000
Net earnings of Trimac	
— for the year ended March 31, 1970 — audited	526,000
— for the nine months ended December 31, 1970 — unaudited	720,000
	<u>\$ 4,478,000</u>

2. INVESTMENTS AND ADVANCES

(a) Panarctic Oils Ltd.

The Company at March 31, 1972 had acquired 171,662 preferred shares of a par value of \$10 each and 28,235 common shares of Panarctic in consideration of commitments to expend \$1,719,000 on exploration and drilling operations being carried out on lands controlled by Panarctic in the Arctic Islands. To March 31, 1972 the sum of \$1,316,000 had been contributed. The balance of \$403,000 committed will be contributed at various dates up to March 1973.

(b) Notes Receivable — Directors and Employees

The Company holds notes of directors and employees, including officers, arising from subscriptions for preferred shares of the Company; \$495,000 of the notes bear interest at 5% and are due on or before December 31, 1979, \$1,400,000 bear interest at 6% and are due on or before December 31, 1980.

3. FIXED ASSETS, DEPRECIATION AND DEPLETION

	1972		1971	
	Cost	Net book value	Cost	Net book value
Land	\$ 1,585,000	\$ 1,585,000	\$ 1,560,000	\$ 1,560,000
Buildings	8,158,000	6,123,000	6,712,000	4,914,000
Drilling rigs	19,619,000	12,540,000	16,168,000	9,364,000
Drill string	4,111,000	2,279,000	4,041,000	2,091,000
Oil production equipment	3,483,000	2,584,000	3,192,000	2,418,000
Other equipment	5,889,000	2,642,000	4,738,000	1,953,000
Oil and mineral leases and development expenditures	7,305,000	4,688,000	7,543,000	5,121,000
	<u>\$50,150,000</u>	<u>\$32,441,000</u>	<u>\$43,954,000</u>	<u>\$27,421,000</u>

It is the policy of the Company to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets as follows:

Buildings — at rates of 5% to 10% mainly on a diminishing balance basis

Drilling rigs — at a rate per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days (approximately 20 years)

Drilling string — straight-line basis related to drilling activity

Oil production equipment, oil and mineral leases and development expenditures — unit of production based on full cost method and estimated recoverable reserves

Other equipment — mainly 20% to 30% diminishing balance basis

4. EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION

The unamortized excess of cost of investment in shares of subsidiaries over net assets at date of acquisition arises from the accounting by subsidiaries for acquisitions of their subsidiaries on a "purchase basis". This excess has been allocated as follows:

Fixed Assets	\$ 442,000
Intangibles	2,779,000
	<u>\$ 3,221,000</u>

Management is of the opinion that the amount of \$2,779,000 attributed to intangible assets is of continuing value and accordingly does not contemplate any amortization of this asset.

5. ASSETS PLEDGED

The Company has pledged all accounts receivable, certain investments, certain of its oil and gas producing properties and has granted debentures secured by floating charges on certain assets, as security for bank loans.

The Company has also granted a floating charge on certain assets as security for outstanding Sinking Fund Debentures amounting to \$5,248,000 and has granted mortgages secured by certain real property and improvements. (See Note 15.)

6. LONG TERM DEBT

	1972	1971
(a) Sinking Fund Debentures		
Series A — 7% maturing March 15, 1987 (1)	\$ 3,958,000	\$ 4,050,000
Series B — 7½% maturing August 1, 1982	440,000	480,000
Series C — 8½% maturing March 31, 1989	850,000	900,000
	<u>\$ 5,248,000</u>	<u>\$ 5,430,000</u>
(1) After deducting \$92,000 (1971 \$225,000) purchased and held in safekeeping for future sinking fund requirements.		
The Company has covenanted to provide a sinking fund related to the above debentures aggregating \$315,000 by March 31, 1973, \$340,000 in fiscal 1974 and \$365,000 annually thereafter. The debentures are redeemable prior to maturity for other than sinking fund purposes at maximum premiums ranging from 5.12% to 7.05%, such premiums to decrease by .375% to .50% yearly until the various redemption prices equal the par values.		
(b) Bank loans, including current portion	7,801,000	7,343,000
The above includes special loans and oil and gas production loans. The loans carry interest rates ranging from 6½% to 10% at March 31, 1972.		
(c) Mortgages, conditional sales contracts, etc.	2,899,000	1,675,000
The above carry interest rates ranging from 6½% to 10¾% at March 31, 1972.		
Total long term debt	15,948,000	14,448,000
Less amount due with one year	2,520,000	2,332,000
	<u>\$13,428,000</u>	<u>\$12,116,000</u>

7. INCOME TAXES

(a) Deferred income taxes

Under provisions of the Canadian Income Tax Act, the Company is entitled to claim and has claimed capital cost allowance and intangible exploration and development expenses which exceed the amounts recorded in the accounts. In this connection current accounting practice recommends the recording of corporate income taxes on the tax allocation basis for timing differences between accounting income and taxable income. The Company has adopted this policy in respect of timing differences relating to tangible assets and has recorded in the accounts deferred income tax credits of \$2,875,000.

The Company is of the opinion that the tax allocation basis for timing differences relating to intangible exploration and development expenses is not appropriate for the subsidiaries in the oil industry and this opinion is shared by others in the industry. Had the Company used the tax allocation basis for intangible exploration and development expenses, additional deferred income taxes aggregating \$1,910,000 would have been recorded on the books to March 31, 1972 (\$1,648,000 at March 31, 1971) an increase of \$262,000 during the year (\$198,000 for 1971).

(b) Oil and Gas Exploration Deductions

Under provisions of the Canadian Income Tax Act companies whose principal business is related to oil and gas activities are entitled to deduct in computing taxable income expenditures incurred in oil or gas exploration and development. These expenditures must be deducted in the year incurred to the extent that there is income against which they may be offset but any excess can be carried forward indefinitely to be similarly applied against income in each successive year until the expenditures have been fully applied.

The Company acquired subsidiaries which had incurred such expenditures. In computing taxable income these subsidiaries deducted expenditures incurred in prior years. The Department of National Revenue - Taxation Division, has questioned the deductibility of these particular amounts by such subsidiaries indicating that in its opinion the rights of such subsidiaries to these deductions were no longer vested in the subsidiaries because of certain agreements entered into by them prior to their acquisition by the Company. The Company, having obtained the advice of counsel, is of the opinion that these subsidiaries are still entitled to the deductions. The Department of National Revenue - Taxation Division has issued assessments and the Company has entered appeals against them. The amounts of such assessments aggregate \$320,000 with respect to the year ended March 31, 1969. In addition, income tax of approximately \$233,000, \$209,000 and \$82,000 could become payable with respect to the years ended March 31, 1970, 1971 and 1972 respectively.

The Company has provided, out of earnings of 1969 and 1970, an income tax reserve of approximately \$340,000 which is available in the event the Company's appeals and if necessary court actions, are not successful. The application of the general principle embodied in the Canadian Income Tax Act which permits the deduction of expenditures incurred in oil, gas and mineral exploration and development is not being disputed. As a result, no question arises as to the deductibility of expenditures presently being incurred in exploration of oil, gas and minerals.

(c) The Department of National Revenue - Taxation Division, has disputed the Company's right to claim certain financing expenses in calculating taxable income and has issued a re-assessment in respect of the fiscal year ended March 31, 1970. On the advice of counsel the Company has filed a Notice of Objection to the re-assessment. Should the Company be unsuccessful, income tax of approximately \$48,000 and \$27,000 would become payable for the years ended March 31, 1971 and 1972 respectively.

8. MINORITY INTEREST

	1972	1971
Preferred shares	\$ 2,635,000	\$ 2,723,000
Common shares and contributed surplus	225,000	256,000
Retained earnings	502,000	501,000
	<u><u>\$ 3,362,000</u></u>	<u><u>\$ 3,480,000</u></u>

9. CAPITAL

(a) Capital Stock

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Preferred Shares of the par value of \$25 each, issuable in series	680,000	\$17,000,000		
8% Cumulative Redeemable Convertible Preferred Shares, Series A, Issued as at March 31, 1971			205,400	\$ 5,135,000
Converted into Common Shares			4,130	103,250
			<u>201,270</u>	<u>\$ 5,031,750</u>
Subordinated Preferred Shares of the par value of \$10 each, issuable in series	300,000	3,000,000		
5% Subordinated Cumulative Redeemable Convertible Preferred Shares 1969 Series			<u>49,500</u>	<u>495,000</u>
6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1970 Series			<u>140,000</u>	<u>1,400,000</u>
Preferred Shares				<u>\$ 6,926,750</u>
Common Shares of the par value of \$1 each	8,952,000	8,952,000		
Issued as at March 31, 1971			<u>2,893,303</u>	<u>\$ 2,893,303</u>
Issued by subsidiary (1)			<u>(1)</u>	<u>110,000</u>
Issued on conversion of preferred shares			<u>12,390</u>	<u>12,390</u>
Common Shares			<u>(2)</u>	<u>3,015,693</u>
				<u><u>\$ 3,015,693</u></u>

(1) The subsidiary owning 728,980 shares at March 31, 1971 disposed of 110,000 shares as part consideration for the acquisition of shares of another company.

(2) Exclusive of 618,980 shares still owned by a subsidiary.

(b) Common Shares Reserved

- (i) 148,744 Common Shares are reserved for issue upon the exercise of 148,744 Share Purchase Warrants, Series A until March 15, 1977 for a cash consideration of \$6 per share;
- (ii) 198,000 Common Shares are reserved for issue upon conversion of 49,500 5% Subordinated Cumulative Redeemable Convertible Preferred Shares 1969 Series between January 1, 1973 and December 31, 1979;
- (iii) 140,000 Common Shares are reserved for issue upon the conversion of 140,000 of 6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1970 Series between January 1, 1975 and December 31, 1980;
- (iv) 603,810 Common Shares are reserved for issue upon the conversion of 201,270 8% Cumulative Redeemable Convertible Preferred Shares, Series A, up to March 1, 1977;
- (v) 15,000 Common Shares are reserved for issue upon the exercise of 15,000 Series B Share Purchase Warrants, until April 1, 1979 for a cash consideration of \$14 per share, subject to adjustment in certain events;
- (vi) 15,000 Common Shares are reserved for issue upon the exercise of 15,000 Series C Share Purchase Warrants until February 28, 1981 for a cash consideration of \$8½ per share, subject to adjustment in certain events.

10. CONTRIBUTED SURPLUS

	1972	1971
Opening balance	\$ 678,000	\$ 23,000
Pooling of interest adjustment	—	443,000
Portion of issue price of Common Shares allocated	1,081,000	187,000
Gain on purchase for cancellation of preferred shares	17,000	25,000
	<u><u>\$ 1,776,000</u></u>	<u><u>\$ 678,000</u></u>

11. RETAINED EARNINGS

- (a) Under the provisions of the governing statutes, \$1,797,000 (the amount equal to the par value of preferred shares redeemed) is restricted from distribution to shareholders.
- (b) An agreement with certain preferred shareholders requires that a purchase redemption fund be established. \$61,000 is restricted for this purpose.
- (c) The trust deeds under which the Series "A", "B" and "C" debentures were issued provide certain restrictions on the payment of dividends.

12. FOREIGN CURRENCY RESTRICTIONS

Net current assets of \$343,000 are subject to foreign currency restrictions.

13. COMMITMENTS

- (a) A subsidiary has given a letter of commitment to guarantee 5% of the cost of two new offshore drilling rigs acquired at an estimated cost of \$24,000,000 by Southeastern Commonwealth Drilling Ltd., a company in which it has a 5% share interest.
- (b) The Company has entered into lease agreements for premises at annual rentals approximating \$540,000 as at March 31, 1972 and for various terms expiring up to November 1980.
- (c) The Company has a commitment to Panarctic Oils Ltd. of \$403,000 as set forth in Note 2 (a).

14. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company and its subsidiaries paid all directors and senior officers, including directors who are officers, an aggregate of \$412,000 during the year ended March 31, 1972.

15. SUBSEQUENT EVENTS

Arrangements have been completed for loans of up to \$5,000,000 to be made available to one or more of the subsidiary companies to be secured by a charge on the real estate. The loans shall bear interest at 9% with reimbursement by means of blended monthly payments of capital and interest amortized on a 20 year basis with the balance due and payable in 5 years. As of May 8, 1972 \$2,100,000 of these loans had been received.

16. EARNINGS PER COMMON SHARE

	<u>1972</u>	<u>1971</u>
Basic earnings per Common Share		
Earnings before extraordinary items	\$0.85	\$0.92
Extraordinary items	<u>0.01</u>	<u>0.06</u>
Net earnings	<u><u>\$0.86</u></u>	<u><u>\$0.98</u></u>
Fully diluted earnings per Common Share		
Earnings before extraordinary items	\$0.75	\$0.79
Extraordinary items	<u>0.01</u>	<u>0.04</u>
Net earnings	<u><u>\$0.76</u></u>	<u><u>\$0.83</u></u>

Fully diluted earnings per Common Share give effect to the exercise of warrants and options outstanding, and the conversion of Preferred Shares.

When calculated in accordance with Opinion 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants, earnings per Common Share are as follows:

	<u>1972</u>	<u>1971</u>
Primary earnings per Common Share		
Earnings before extraordinary items	\$0.83	\$0.91
Extraordinary items	<u>0.01</u>	<u>0.06</u>
Net earnings	<u><u>\$0.84</u></u>	<u><u>\$0.97</u></u>
Fully diluted earnings per Common Share		
Earnings before extraordinary items	\$0.75	\$0.80
Extraordinary items	<u>0.01</u>	<u>0.05</u>
Net earnings	<u><u>\$0.76</u></u>	<u><u>\$0.85</u></u>

DIRECTORS

T. H. ATKINSON, M.C.,
*Retired Bank Executive,
Mount Bruno, Quebec*

W. M. BOOTH,
*President of Consolidated Oil & Gas, Inc.
Denver, Colorado.*

JOHN H. COLEMAN,
*Deputy Chairman and Executive Vice-President,
The Royal Bank of Canada,
Toronto, Ontario.*

*LUCIEN CORNEZ,
*President of United Westburne Industries Limited,
Montreal, Quebec.*

*F. R. MATTHEWS, Q.C.,
*Partner of MacKimmie Matthews,
Calgary, Alberta.*

ABRAHAM PALMER,
*President, Palmers Plumbing Supply Limited,
Ottawa, Ontario*

JOSEPH RIMERMAN,
*President, Craig Plumbing & Heating Supplies Co. Ltd.,
Montreal, Quebec.*

MAURICE SAILLANT,
*President, Saillant Inc.,
Quebec, Quebec.*

*J. A. SCR YMGEOUR,
*President and Chairman of the Board,
Westburne International Industries Ltd.,
Calgary, Alberta.*

R. D. SOUTHERN,
*President, Atco Industries Ltd.,
Calgary, Alberta.*

D. N. STOKER,
*Vice-President and Director,
Nesbitt, Thomson and Company, Limited,
Montreal, Quebec.*

D. W. WESTCOTT,
*President, Engineering & Plumbing Supplies Limited,
Winnipeg, Manitoba.*

*W. S. ZARUBY,
*President, Westburne Petroleum Services Ltd.
Calgary, Alberta.*

OFFICERS

J. A. SCR YMGEOUR,
President and Chairman of the Board.

LUCIEN CORNEZ,
Senior Vice-President — Equipment and Supplies

WALTER S. ZARUBY,
Senior Vice-President — Drilling.

S. ABRAMOVITCH,
Vice-President — Finance.

W. J. CUMMER,
Treasurer.

L. R. ROBERTS,
Controller.

J. C. CRAWFORD,
Secretary.

Head Office

535 Seventh Avenue S.W., Calgary, Alberta.

Transfer Agent and Registrar

Montreal Trust Company,
Vancouver, Calgary, Regina, Winnipeg, Toronto and
Montreal.

Stock Exchanges

The Toronto Stock Exchange.
The Montreal Stock Exchange.

Legal Counsel

MacKimmie Matthews, Calgary, Alberta.
Dunnington, Bartholow & Miller, New York, U.S.A.

Auditors

Touche Ross & Co.

*Members of the Executive Committee.

Annual Meeting

The Annual General Meeting of the Shareholders will be held in the Water-ton Suite, The Calgary Inn, in the City of Calgary, Alberta at 10:00 o'clock in the forenoon on Monday, June 26, 1972.

DIR E C T I O N

CONSEIL D'ADMINISTRATION

11. BENEFICES NON REPARTIS	
1971	1972
Benefice primaire par action ordinaire	Benefice primaire par action ordinaire
\$0.91	\$0.83
Postes extraordinaires	Postes extraordinaires
0.06	0.01
Benefice avant les postes extraordinaires	Benefice avant les postes extraordinaires
\$0.97	\$0.84
Postes extraordinaires	Postes extraordinaires
0.05	0.01
Benefice dilué par action ordinaire	Benefice dilué par action ordinaire
\$0.76	\$0.75
Postes extraordinaires	Postes extraordinaires
0.05	0.01
Benefice net	Benefice net
\$0.85	\$0.76

Si l'on calcule le bénéfice par action ordinaire conformément à l'Opinion 15 du Accounting Principles Board de l'American Institute of Certified Public Accountants, on obtient le résultat suivant:

Le bénéfice dilué par action ordinaire tient compte de l'exercice des warrants et des options en cours et de la conversion des actions privilégiées subordonnées.

12. RESTRICTIONS DE CHANGÉE A L'ETRANGER	
1971	1972
Benefice de base par action ordinaire	Benefice de base par action ordinaire
\$0.92	\$0.85
Postes extraordinaires	Postes extraordinaires
0.06	0.01
Benefice net	Benefice net
\$0.88	\$0.86
Postes extraordinaires	Postes extraordinaires
0.04	0.01
Benefice dilué par action ordinaire	Benefice dilué par action ordinaire
\$0.79	\$0.75
Postes extraordinaires	Postes extraordinaires
0.04	0.01
Benefice net	Benefice net
\$0.76	\$0.76

Le bénéfice dilué par action ordinaire tient compte de l'exercice des warrants et des options en cours et de la conversion des actions privilégiées subordonnées.

13. ENGAGEMENTS POSTERIEURS A LA DATE DU BILAN

Des engagements ont été conclus permettant à une ou plusieurs filiales d'obtenir des imputations pouvant aller jusqu'à \$5,000,000, garantis par une charge sur des biens immobiliers et portant intérêt à 9%. Les remboursements se font par versements mensuels, incluant capital et intérêts, amortis sur une base de 20 ans et le solde venant à échéance dans 5 ans. Au 8 mai 1972, de tels emprunts avaient été obtenus pour un montant de \$2,100,000.

14. REMUNERATION DES ADMINISTRATEURS ET DES MEMBRES DE LA HAUTE DIRECTION

La Campagne et ses filiales ont versé à tous les administrateurs et membres de la haute direction, y compris les administrateurs qui sont membres de la direction, une somme globale de \$412,000 au cours de l'année terminée le 31 mars 1972.

(a) Une filiale s'est engagée par lettre à garantir 5% du coût de deux nouveaux appareils de forage au large Drilling Ltd, une compagnie dans laquelle elle possède un intérêt de 5%.

(b) La compagnie a consenti des baisses sur des immobiliers dont le loyer annuel était environ \$540,000 au 31 mars 1972 et les termes spéciaux sur des biens immobiliers dont le loyer annuel était environ \$403,000, tel que décrit dans la note 2 (a).

(c) La compagnie est engagée envers Panarctic Oils pour une somme de \$403,000, tel que décrit dans la note 2 (a).

15. EVENEMENTS POSTERIEURS A LA DATE DU BILAN

Des actifs net à court terme de \$343,000 sont sujets à des restrictions de change à l'étranger.

16. BENEFICE PAR ACTION ORDINAIRE

Le bénéfice dilué par action ordinaire tient compte de l'exercice des warrants et des options en cours et de la conversion des actions privilégiées subordonnées.

17. NOTES FINANCIERES	
1971	1972
Benefice net	Benefice net
\$0.76	\$0.76
Postes extraordinaires	Postes extraordinaires
0.05	0.01
Benefice avant les postes extraordinaires	Benefice avant les postes extraordinaires
\$0.80	\$0.75
Postes extraordinaires	Postes extraordinaires
0.05	0.01
Benefice dilué par action ordinaire	Benefice dilué par action ordinaire
\$0.85	\$0.76

9. CAPITAL

8

DETTE A LONG TERME

La Compagnie a également consenti une charge flottante sur certains éléments d'actif, en garantie des dépenses par trices en cours, avec fonds d'amortissement, au montant de \$5,248,000, ainsi que des hypothèques garanties par certains biens et améliorations de nature immobilière. (voir note 15.)

ELÉMÉNTS D'ACTION AFFECTIFS EN GRANITIE

La direction est d'avis que le montant de \$2,779,000 imputé à l'actif incorporel est une valeur permanente pour cette raison, elle n'entend pas l'amortir.

LACTIF NET A LA DATE D'ACQUISITION

Immeubles — à des taux de 5% à 10%, principalement selon la méthode de l'amortissement décroissant. Appareils de forage — à un taux par jour de forage, établi pour départir le coût d'origine moins une valeur de rebut de 30% sur 3,000 jours de forage (environ 20 ans).

3. IMMOBILISATIONS, AMORTISSEMENT ET ÉPUISSEMENT

(b) Billets à recevoir — Administrateurs et employés.

La Compagnie délivrent des billets des administrateurs et des employés, y compris des dirigeants, proven-
ant de souscriptions à des actions privilégiées et ordinaires de la Compagnie; de ces billets, \$495,000 portent intérêt au taux de 5% et viennent à échéance le 31 décembre 1979, et \$1,400,000 portent intérêt à 6% et viennent à échéance le 31 décembre 1980.

La Compagnie a détenait 171,662 actions privilégiées d'une valeur de \$10 chacune et 28,235 actions ordinaires de Panarctic obtenues contre un échangeement de sa part à consacré \$1,719,000 à des opérations d'exploration et de forage sur certains contrôles par Panarctic dans les îles de l'Archipel. Une somme de \$1,316,000 avait été versée au 31 mars 1972. Le solde de \$403,000 sera versé à diverses dates d'ici mars 1973.

2. PLACEMENTS ET AVANCES

Au 31 décembre 1970, Trimac Transportation Limited ("Trimac") a été revendue aux anciens propriétaires de cette compagnie en leur rendant toutes les actions émises et en cours de Trimac en échange de 1,048,000 actions ordinaires de Westburne, remises pour annulation, et d'un paiement en espèces de \$200,000.
Le résultat de 1971 aux bénéfices non répartis consécutif à la rétrocession de Trimac se résume comme suit:
Bénéfices non répartis de Trimac affectés à la Compensation lors de la consolidation selon la méthode de fusion d'interets communs, le 1er avril 1969 \$3,232,000
Bénéfice net de Trimac 526,000
— Pour l'année terminée le 31 mars 1970 — vérifié 720,000
— Pour les neuf mois terminés le 31 décembre 1970 — non vérifié 720,000

(ii) Les autres actifs et passifs au taux de change prévalant lorsqu'e ces actifs ont été acquis et ces passifs assumés; et

(iii) Les revenus et dépenses sauf l'amortissement et l'épuisement au taux de change moyen pour l'exercice.

(b) Les actifs et revenus et dépenses de la Compagnie en fonds étrangers ont été convertis en dollars canadiens comme suit:

(\$2,721,000) sommées par la compagnie	(\$2,721,000) sommées au taux de change en fin d'exercice:
(\$2,721,000) sommées par la compagnie	(\$2,721,000) sommées au taux de change en fin d'exercice:

(a) Les établissements financiers consolidés comprendent les sociétés de Webster International Industries Ltd., et de toutes ses filiales (collectivement nommées dans les notes qui suivent comme „La Compagnie“). 618.

1. PRINCIPES DE CONSOLIDATION ET POLITIQUE COMPTABLE

Notes aux états financiers consolidés, 31 mars 1972

(en milliers de dollars)

Etat consolidé de la provenance et de l'utilisation des fonds pour l'année terminée le 31 mars 1972

WESTBURY INTERNATIONAL INDUSTRIES LTD.
ET SES FILIALES

(en milliers de dollars)

Etat consolidé des bénéfices non répartis pour l'année terminée le 31 mars 1972

WEST SITES FILIALES

1971	1972	REVENU S D'EXPLOITATION	Ventes de marchandises	Forrage sous contrat	Production pétrolière et de gaz	Forrage sous contrat	Autres dépenses (REVENUS)	BENEFICE AVANT IMPOSTES SUR LE REVENU ET	IMPOSTS SUR LE REVENU (note 7)	Exigibles	Reportes	BENEFICE AVANT POSTES EXTRAORDINAIRES	POSTES EXTRAORDINAIRES	BENEFICE AVANT POSTES EXTRAORDINAIRES	Part des actionnaires minoritaires	BENEFICE NET DE L'ANNEE	Actions privilégiées (note 16)
70,669	91,010	Cout des ventes — marchandises	Forrage sous contrat	Production pétrolière et de gaz	Forrage sous contrat	Autres dépenses	Autres dépenses (REVENUS)	BENEFICE AVANT IMPOSTES SUR LE REVENU ET	IMPOSTS SUR LE REVENU (note 7)	Exigibles	Reportes	BENEFICE AVANT POSTES EXTRAORDINAIRES	POSTES EXTRAORDINAIRES	BENEFICE AVANT POSTES EXTRAORDINAIRES	Part des actionnaires minoritaires	BENEFICE NET DE L'ANNEE	Actions privilégiées (note 16)
13,510	14,720	1,139	1,174	1,139	1,174	1,139	1,174	Autres imptes									
99,640	124,713	5,074	5,923	16,130	16,130	12,921	12,921	Frais généraux, de vente et d'administration									
73	714	1,139	2,139	2,139	2,139	1,967	1,967	Amortissement et épuisement (note 3)									
797	707	1,139	1,174	1,174	1,174	797	797	Autres imptes									
751	1,064	4,323	4,859	4,859	4,859	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425
607	302	909	1,536	1,536	1,536	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111
909	302	607	1,536	1,536	1,536	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111
173	—	—	3,414	3,414	3,414	—	—	—	—	—	—	—	—	—	—	—	—
233	—	—	3,587	3,587	3,587	—	—	—	—	—	—	—	—	—	—	—	—
233	—	—	3,587	3,587	3,587	—	—	—	—	—	—	—	—	—	—	—	—
\$ 3,354	—	—	\$ 3,354	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(en milliers de dollars)

Etat consolidé des revenus
pour l'année terminée le 31 mars 1972

westmorse international industries ltd.

Calgary, Alberta
le 26 mai 1972.

Jouche Ross & Cie

31 mars 1972 ainsi que les résultats de leurs modalités qu'au cours de l'année précédente.

Westburre International Industries Ltd.
Aux actionnaires,

RAPPORT DES VERIFICATIONS

AVOIR DES ACTIONNAIRES

PASSIVE

(Answers on page 100)

Bilan consolidé au 31 mars 1972

THE ACTS

Résumé des bénéfices par secteurs (1)

(en millions de dollars)

Pour l'année terminée le 31 mars 1972

Le 2 juin 1972

JOHN A. SCRIMGEOUR. Président et du Conseil d'administration

nesthuksgd

Au nom du Conseil d'Administration,

En résumé, chacune de nos divisions régionale avec confiance les possibilités que lui réserve l'avenir.

Quant à notre division Matérielles et Fourrures, elle connaît une croissance régulière et continue. L'expansion générale de l'économie canadienne, le développement électrique, nous personnes qui elles comme le commerce de plombure-chaudage et de particulièrement nos filiales suédoises dans le secteur des fournitures, contribue à l'augmentation de nos ventes.

En Abitibi, des modifications ont été effectuées. Production pétrolière ont été récemment annoncées. Ces changements encouragent les efforts d'exploration. La résultante de cette exploration accroire durablement un succès de forages de mis en valeur. Ces perspectives sont plus de l'ordre de nos activités à Pérénier, en plus de l'expansion de nos activités au Canada, en plus de l'exploitation de nos actives dans le sud de l'Ontario. L'exploitation de nos actives dans le sud de l'Ontario, meilleure auge pour notre division de forage durable en cours.

Grâce à ses mètres dans Panarctic Oils Ltd, en Mer du Nord, ainsi que par sa participation dans des compagnies de forage dans ces deux régions, Westarume a développé bénéficialement dans la plus large mesure de l'exploration minérale qu'il s'y déroule et se continue longtemps.

Perspectives

De plus, nous avons obtenu une participation dans six licences de production accordées par le Gouvernement du Royaume-Uni. Cette participation consiste en un immeuble de 5% dans deux blocs de l'île de Jersey, un bloc avoisinant les îles Shetland de l'Ouest et deux îles de l'archipel des îles Scilly. Dans un autre bloc en Mer du Nord, un immeuble de 2,5% dans un autre bloc en Mer du Nord. En raison du niveau de productivité réelle par les reçueurs découverts effectués en Mer du Nord, nous croyons que cette région est sans doute l'une des plus

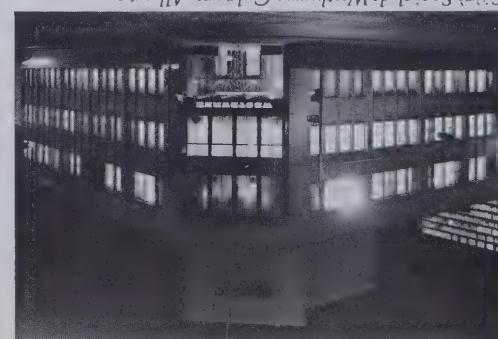
Durant l'exercice, Westbrine a participé au forage de 31 puits de pétrole—tous fructueux—dans l'ouest du Canada, et nos plans y prévoient le forage de 9 puits supplémentaires de mise en valeur.

Exploration et Production

Alliens à Terangaïet, nos opérations continuent de s'éteindre et de progresser, tout auant en Allegrie que l'industrie et d'urbanisation. Les possédeurs possédaient soit entièrement ou partiellement des terres pour l'obtention de contrats de forage dans d'autres pays. Finallement, nous avons vendu au commandant les trois loués que nous possédions en Australie en raison des perturbations peu favorables pour les forages conduits sur terre dans ce pays.

Le comité des sociétés politiques modifie les procédures pour l'obtention des bourses d'études. Ces études ont pour objectif l'établissement des étudiants dans l'océan Atlantique qui la planification de l'équipement qui sera réalisée.

Materiels et Fournières



Faits Saillants

Pour l'année terminée le 31 mars	1971
Total des revenus, d'exploitation	\$104,714,000
Bénéfice net de l'année	3,354,000
Bénéfice net attribuable aux actions ordinaires	3,118,000
Total des revenus, d'exploitation	\$130,636,000
Bénéfice net de l'année	3,354,000
Bénéfice net attribuable aux actions extraordinaires	2,570,000
Par action ordinaire	0.92
Par action extraordinaire	0.85
Par action ordinariaire	0.98
Cash Flow	5,183,000
Par action ordinariaire	1.79
Immobilisations (nettes)	27,421,000
Total de l'actif	71,229,000
Dette à long terme moins montant échelant à moins d'un an	12,116,000
Autre des actionnaires	7,030,000
Actions privilégiées	6,927,000
Actions ordinaires	21,066,000
Par action ordinariaire	7.28
Total de l'avoir des actionnaires	28,096,000
Nombre d'actions ordinaires en cours net	3,015,693
Au 31 mars	
Actions ordinaires	7,27
Actions ordinaires	24,932,000
Actions ordinaires	8,27
Actions ordinaires	31,859,000
Actions ordinaires	2,893,303

LE MONDE DE WESTBURN

A grayscale map of the Mediterranean Sea and surrounding landmasses. Overlaid on the map are numerous small symbols, each containing a number from 1 to 100. These symbols represent different types of ancient wrecks, including rectangular ships, square ships, and various structures. The wrecks are concentrated in the central and southern parts of the sea, with a higher density near the coastlines of Italy, Sicily, and the Levant. The map also shows the coastlines of Europe, Africa, and the Levant.

rapport annuel 1972

westbury internatinal
industries ltd.

AR41



Arte



Westburne
Profile '72

Cover:
Drilling in the Arctic—Drake Point—
Westburne Petroleum Services Division

WESTBURNE - PROFILE 72

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Westburne International Industries Ltd.

Officers and Directors

Name	Position	Principal Occupation
John A. Scrymgeour* Calgary, Alberta	Chairman of the Board of Directors and President	Chief Executive Officer and Director of the Company
Lucien Cornez* Montreal, Quebec	Senior Vice-President Equipment and Supplies and Director	Officer and Director of the Company; President of United
Walter S. Zaruby* Calgary, Alberta	Senior Vice-President Drilling and Director	Officer and Director of the Company; President of WPS
Sam Abramovitch, C.A. Montreal, Quebec	Vice-President Finance	Officer of the Company; Vice-President, Finance of United
P. Dave Williams Calgary, Alberta	—	Vice-President of Westburne Petroleum and Minerals Ltd.
William J. Cummer Calgary, Alberta	Treasurer	Officer of the Company
Lorne R. Roberts, C.A. Calgary, Alberta	Controller	Officer of the Company
James C. Crawford Calgary, Alberta	Secretary	Officer of the Company
John A. Reilly Calgary, Alberta	Assistant Secretary	Officer of the Company
Thomas H. Atkinson, M.C. Mount Bruno, Quebec	Director	Retired bank executive
William M. Booth Englewood, Colorado, U.S.A.	Director	Consultant
John H. Coleman Toronto, Ontario	Director	Executive Vice-President and Vice-Chairman of the Royal Bank of Canada
Francis R. Matthews, Q.C.* Calgary, Alberta	Director	Partner of MacKimmie Matthews, Attorneys, Calgary, Alberta
Abraham Palmer Ottawa, Ontario	Director	President of Palmers Plumbing Supply Limited
Joseph Rimerman Montreal, Quebec	Director	President of Craig Plumbing & Heating Supplies Co. Ltd.
Maurice Saillant Quebec City, Quebec	Director	President of Saillant Inc.
Ronald D. Southern Calgary, Alberta	Director	President of Atco Industries Ltd.
Desmond N. Stoker Westmount, Quebec	Director	Vice-President and Director, Nesbitt Thomson and Company, Limited
Druval W. Westcott Vancouver, B.C.	Director	President of Engineering & Plumbing Supplies Limited

*Member of the Executive Committee

Westburne International Industries Ltd. was incorporated under the laws of Alberta in March 1969, and through its three principal subsidiaries, United Westburne Industries Ltd. (95% owned), Westburne Petroleum Services Ltd., formerly Commonwealth Petroleum Services Ltd. (100% owned), and Westburne Petroleum and Minerals Ltd. (100% owned), is engaged in three major lines of business:

- *Equipment and Supplies* consisting of plumbing, heating, the newly added electrical equipment, and distribution of oil field supplies;
- *Contract Drilling* consisting of domestic, foreign and offshore operations;
- *Oil and Mineral Exploration and Production* consisting of oil and gas producing properties, mineral exploration acreage, a 2.26% participation in Panarctic Oils Limited, a 5% participation in 5 blocks in the general North Sea area and a 2½% participation in a 6th one.

These principal subsidiaries operate with a wide degree of autonomy in day-to-day operational matters. In the opinion of management, this method of operation permits Westburne International to concentrate on policy determination and planning for future development and expansion.

The head office of the company is located in the Westburne Building at 535 Seventh Avenue South West, Calgary 2, Alberta, from where are managed the Canadian operations in contract drilling and oil production and exploration. The principal office of the equipment and supplies operations is located at 6333 Decarie Blvd., Montreal 252, Quebec. Foreign operations are managed from offices located in London, Singapore, Bermuda, Algeria and Beirut.

Equipment and Supplies

United Westburne Industries Limited (United)

History and Business

United was incorporated as Westburne Oil Company Limited under the provision of the Alberta Companies Act on May 8, 1951, and until 1956 was engaged primarily in the purchase and sale of securities of oil and gas companies. From 1956 to 1964, United, through a wholly-owned subsidiary, Westburne Oil Development Limited, was engaged primarily in the ownership of interests in oil and gas properties. In 1964, this subsidiary transferred certain of its oil properties to another wholly-owned subsidiary, subsequently sold to Westburne Petroleum and Minerals Ltd., and United disposed of its shares of Westburne Oil Development Limited.

In 1963, United made its first investment in the wholesale plumbing and heating industry and, equally through acquisition and internal expansion has developed a wholesale plumbing and heating distributing chain throughout Canada. In 1971, United expanded in the electrical supplies wholesale industry, acquiring during that year and in early 1972 several companies engaged in that field which complements its other wholesale activities.

United operates one of the largest wholesale plumbing and heating and electrical supply chains in Canada. Its plumbing and heating product lines include bathtubs, basins, toilets, bidets, kitchen sinks, stainless steel and brass items, fixtures, steel pipe and fittings, plastic, asbestos, and fibre pipe, heating products, specialty items for heating, soil pipe, copper pipe and fittings, valves, heaters, sundry items such as air conditioning equipment. United's electrical supply product lines include wiring, conduits, panels, motor controls, switch valves and controls, condensers, capacitors, industrial electronic and distribution equipment, sub-stations, home appliances and electronic entertainment equipment and various other electrical equipment products. Such product lines and supplies are sold principally to contractors and industrial and institutional users through 66 branches at various locations throughout Canada.

Subsidiaries

All of United's subsidiaries are wholly-owned; the main ones are listed below:

<u>Name</u>	<u>Location of Principal Office</u>	<u>Number of Branches</u>	<u>Area of Operations</u>
Saillant Inc.	Quebec City, Quebec	5	Quebec and New Brunswick
Craig Plumbing & Heating Supplies Co. Ltd.	Montreal, Quebec	11	Ontario, Quebec and Maritimes
Palmers Plumbing Supply Limited	Ottawa, Ontario	7	Ontario and Quebec
Hoffman Brothers Limited	Hamilton, Ontario	11	Ontario
Engineering & Plumbing Supplies Limited	Winnipeg, Manitoba	19	Ontario and Western Canada
MacDonald Electric Limited	Kitchener, Ontario	3	Ontario
Amesco (1967) Ltd.	Winnipeg, Manitoba	3	Western Canada
Haldane Electric Supply Ltd.	Toronto, Ontario	7	Ontario

The operating management committee of United is comprised of its president and chief executive officer, and of the presidents and general managers of the subsidiaries listed above, each of whom was a senior executive of his respective company prior to its acquisition by United. It has also been the company's policy to maintain the key personnel of the operations acquired. As a result, customer goodwill, operating experience and employee loyalty are retained.

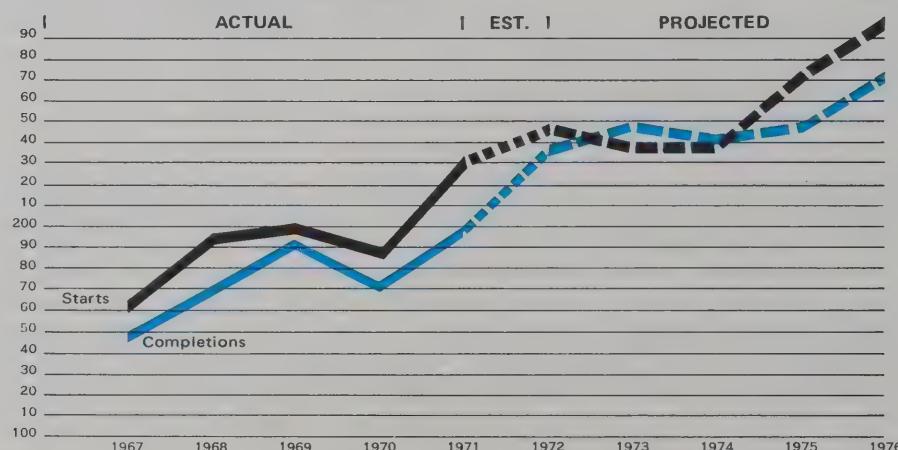
Marketing and Sales

United has over 10,000 active accounts, the ten largest of which in the aggregate accounted for approximately 7% of the sales for the fiscal year ended March 31, 1972. While the group sells principally to contractors, it also sells to industrial users such as oil refineries, paper mills and chemical plants and to institutional users such as hospitals and schools.

In order to provide prompt delivery, the company maintains inventories of over 30,000 items, a Telex communication system between major branches and has available a fleet of trucks.

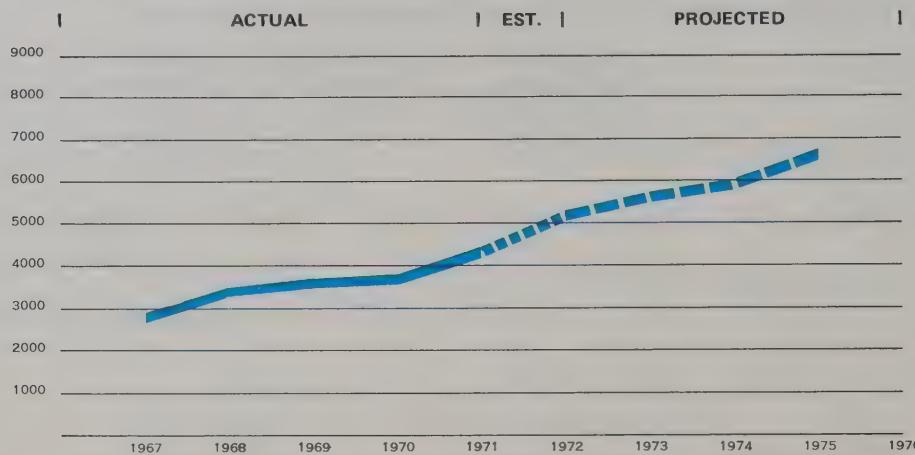
CANADIAN HOUSING ACTIVITY (000's of units)

Sources: 1967-1971 Canadian Housing Statistics
1972-1976 Toronto Dominion Bank



HOUSING INVESTMENT IN CANADA (in current dollars) (millions of dollars)

Sources: 1967-1971 Canadian Housing Statistics
1972-1976 Toronto Dominion Bank



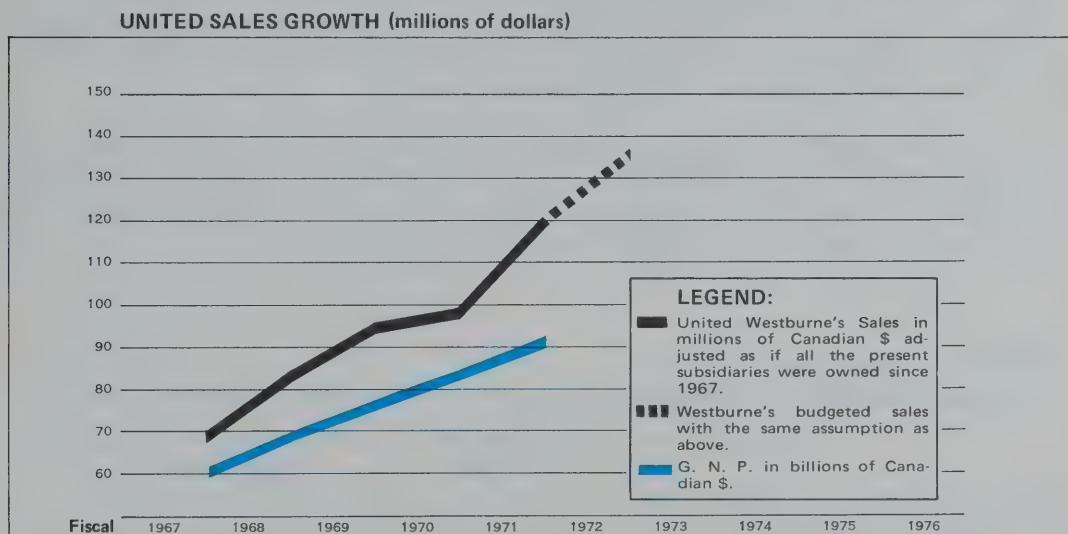
Suppliers

Products are purchased from several hundred suppliers, none of which accounted for more than 10% of purchases for the fiscal year ended March 31, 1972. The items purchased from these suppliers are standard products and could readily be obtained from alternative sources.

Facilities

In general, a United branch consists of an office and showroom as well as warehouse and storage facilities.

Of the 66 branches, 40 are leased and the remainder are owned.



Dominion Oilfields Supply Company Limited

Dominion Oilfields Supply Company Limited ("Dominion"), a subsidiary of Westburne Petroleum Services Ltd., has been engaged for more than twenty years in the sale of equipment and supplies to oil and gas well operators and to drilling contractors in Western Canada. Dominion has also commenced business activities in supplying equipment and parts to the mining industry and the inspection and repair of oilfield tubular goods. Outlets are located at Calgary, Edmonton and High Level in Alberta, at Fort St. John in British Columbia and at Estevan in Saskatchewan.

Dominion maintains an inventory of over 3,000 items and provides most of the supplies required at a drilling site including tubular goods, valves, gaskets and tools. Many items handled, such as rock bits, motors and drilling rig components, are sold under franchise providing for direct delivery from the manufacturer to the purchaser. The products sold by Dominion are purchased from various manufacturers.

Western Rock Bit Company Limited

Further Westburne International also owns a share ownership of approximately 20% in Western Rock Bit Company Limited, a manufacturing company which manufactures parts and assembles drilling bits under licenses from the Hughes Tool Co. of Houston, Texas.

Contract Drilling

Westburne Petroleum Services Ltd. (WPS)

History and Business

The principal office of WPS (formerly Commonwealth Petroleum Services Ltd.) is located at Calgary, Alberta. WPS was incorporated under the Canada Corporations Act in July 1967 by the amalgamation of Southwest Petroleum Company Limited, Ace Oils Limited and Commonwealth Petroleum Services Ltd. For more than 30 years these three corporations had conducted operations, directly or through subsidiaries, in the oil and gas contract drilling, oilfield supply and production and exploration phases of the petroleum industry.

WPS is the largest oil and gas drilling contractor in Canada measured by the number of rigs operated and by total footage drilled. It also conducts operations in Norway, Indonesia, Algeria and Alaska. The company also has experience in both land and offshore platform drilling in the U.S.A. as well as land drilling in Australia, Portuguese Timor and Papua.

Subsidiaries

The main subsidiaries of WPS engaged in oil and gas contract drilling are listed below:

	Percentage of Ownership	Operating Area
Commonwealth Drilling (Western) Limited	100%	Western Canada, North Slope of Alaska
Westburne Drilling Ltd.	100%	Western Canada, Northwest Territories, Yukon, Eastern Canada
Westburne International Drilling Limited	100%	Norway, Indonesia and Algeria
Commonwealth Hi-Tower Arctic Joint Venture	50%	Arctic Islands
Drillarctic Joint Venture	33½%	Arctic Islands

WPS functions on a decentralized basis with each operating subsidiary having its separate management.

Operations

This division provides a wide range of contract drilling services to its customers in the oil and gas industry. In providing these services, WPS supplies specialized as well as conventional drilling rigs, related equipment and facilities and the personnel required for their operation and maintenance. In addition, WPS provides consulting engineering services to its subsidiaries and outside clients.

Drilling contracts are normally obtained through competitive bidding primarily on an individual well basis. Such contracts differ as to rates and terms, depending upon the type of equipment used, the depth and location of the well and the operating conditions.

Drilling Equipment

The following table describes the drilling equipment which WPS owned or in which it had an interest as at November 1, 1972:

Number of Rigs Owned	Percentage Owned	Depth Rating	Area of Operations
<u>Land Rigs</u>	<u>Owned</u>		
11	100%	1,500' to 4,500'	Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, Yukon, Quebec and Alaska
18	100%	4,500' to 7,000'	
23	100%	7,000' to 12,500'	
3	100%	12,500' to 15,500'	
4	100%	15,500' to 20,000'	
1	100%	22,000'	Alberta
2	100%	7,000' to 12,500'	Indonesia
1	100%	12,000'	Norway
1	50%	10,000'	Arctic Islands
2	50%	15,000'	Arctic Islands
1	50%	18,000'	Arctic Islands
1	33 1/3 %	15,000'	Arctic Islands
<u>Offshore Rigs</u>			
1 jack-up rig	100%	14,000'	West Africa
3 semi-submersibles	5%	20,000'(1)	East Coast of Canada

(1) Through ownership of 5% of shares of Southeastern Commonwealth Drilling Limited.

WPS estimates that for the year ended March 31, 1972 its rigs in the Northwest Territories and Western Canada represented approximately 18% of all rigs available in these areas and were operating (spud to release time) under contract for approximately 31% of available drilling day capacity. The utilization of drilling rigs is approximately 91% of the industry average in Canada and the difference, in the opinion of management, is a result of the company's policy of undertaking only contracts which provide an acceptable profit margin.

WPS, in addition to operating its own equipment, also provides personnel on a contract basis. In Algeria the company has a technical service contract with Sonatrach, the Algerian national oil company, through which it provides management, supervisory personnel and training assistance for Sonatrach's drilling operations.

A joint venture, composed of WPS and another Canadian drilling operator, operates four drilling rigs in the Canadian Arctic Islands.

Three of the rigs are specially designed air transportable diesel electric rigs, one of which has a rated capacity of 18,000' and two of 15,000'. The fourth rig is a 10,000' capacity helicopter transportable rig. Another project is the Drillarctic joint venture with two other drilling contractors which is operating a new 15,000' air transportable diesel electric rig in a special drilling program in the Arctic Islands for Horn River Resources Ltd. as operator for several exploration companies.

WPS has an interest (through the ownership of 5% of the shares of Southeastern Commonwealth Drilling Limited) in three SEDCO semi-submersible drilling vessels presently operating off the East Coast of Canada.

Facilities

WPS' principal maintenance shop facilities and general office buildings are located in Calgary and Edmonton. WPS believes that its facilities, drilling rigs and other equipment have been well maintained and are generally well suited for their respective purposes.

New Developments

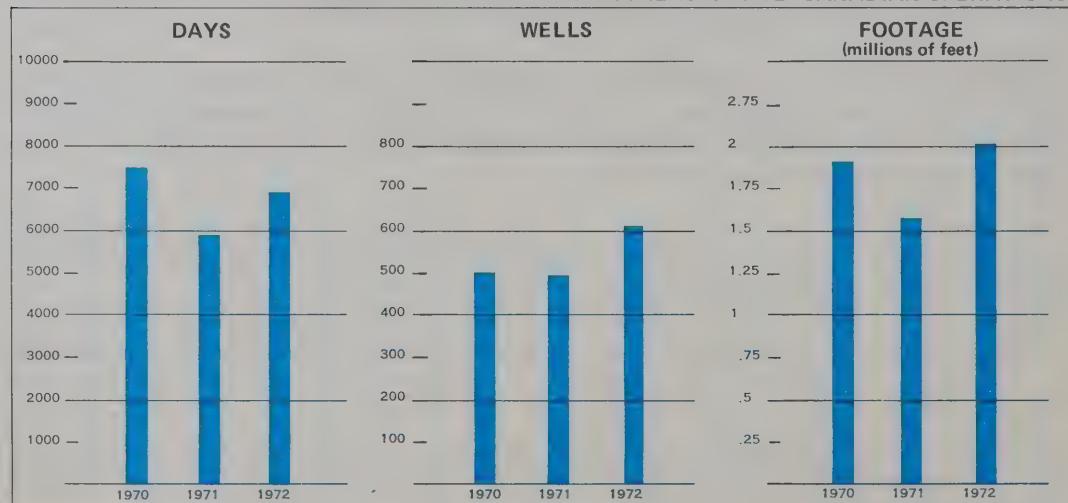
WPS has embarked upon a program to expand its offshore drilling activities. As part of this program, Westburne was instrumental in forming and undertaking an engineering study for a group of oil companies to develop methods and equipment for drilling in the Beaufort Sea in the Canadian Arctic. The result of this study is a proposal for construction and operation of a specially-designed offshore drilling barge, which proposal has recently been presented by the clients to Canadian Government authorities for their approval.

The consulting services now available in WPS are supporting the offshore expansion efforts of the operating subsidiaries as well as serving outside clients. As a result of these efforts an offshore jack-up rig was acquired. In addition, steps have been taken to involve the company in offshore drilling and exploration in the U.K. and Norwegian sectors of the North Sea. A wholly-owned subsidiary, Westburne Drilling & Exploration (UK) Limited, through participation with another U.K. exploration company, has obtained interests in six production permits in the U.K. sector of the North Sea. The company's subsidiary will have a five per cent participation in five blocks and a two and a half per cent participation in the sixth.

WPS' operating subsidiaries are also actively pursuing and bidding on other foreign drilling contracts, both on land and offshore, through offices in Singapore, London and Beirut.

WPS has designed and assembled two special helicopter transportable rigs for its foreign subsidiary, Westburne International Drilling Limited. These rigs are currently under contract in Spitsbergen, Norway and West Irian, Indonesia.

WESTBURNE DRILLING DIVISION ACTIVITY GRAPHS FISCAL 1970-1972-CANADIAN OPERATIONS



Exploration and Production

Westburne Petroleum and Minerals Ltd.

Reserves

The company owns oil and gas reserves in various fields in Saskatchewan, Alberta and British Columbia. Its principal crude oil reserves are located in the Dodsland and Weyburne, Lochend, Provost, Pembina and Swan Hills fields in Alberta and the Boundary Lake field in British Columbia. Its principal natural gas reserves are located in the Leduc Woodbend fields in Alberta and the Fort St. John field in British Columbia.

A report dated February 28, 1972, prepared by McDaniel Consultants (1965) Ltd., petroleum reservoir analysts of Calgary, Alberta, with respect to the company's estimated net proven developed and probable additional reserves of crude oil, natural gas and natural gas liquids at January 1, 1972, located in thirteen fields in Saskatchewan, Alberta and British Columbia in 2,405 gross wells (106 net wells) shows net reserves (after royalty deductions and adjustments for interests of others) to be as follows:

	Proven Developed Reserves	Probable Additional Reserves	Total Reserves
Crude oil (barrels)	6,281,600	5,647,400	11,929,000
Natural gas (mmcft)	3,640	30	3,670
Natural gas liquids (barrels)	34,500	—	34,500

(1972 drilling activity is not included in the above reserves.)

Development and Production

During the first six months of 1972 Westburne and its partners drilled and completed 29 wells and had a gross overriding royalty in 5 additional wells. All wells were completed as producers. These wells will contribute a substantial increase in Westburne's proven and probable reserves for the year of 1972.

Westburne Petroleum's principal area of activity is in the Provost field of central Alberta where it owns varying interests in 27,760 gross acres or (12,200 net acres). An area in the eastern portion of the Viking 'C' Pool of the Provost field was unitized on April 1, 1971 and Westburne Petroleum was designated as Manager-Operator of the unit. Westburne Petroleum has a 32% interest in this unit which consists of 57 quarter sections and contains 40 producing and 17 injection wells. Detailed studies are underway for expansion at this unit. In order to maintain pressure in the reservoir and to increase ultimate recovery, water is being injected into the producing zone as oil is produced. Westburne and others are in the process of forming a 137 well unit in South Provost that will involve the drilling and completing of 103 wells over the next three years. Westburne's interest in this project will be approximately 23% and over the next three years is expected to add an estimated 6 million barrels of proven and probable reserves to Westburne's interest.

Westburne Petroleum owns and operates a 25 mile pipeline system in the Provost area of East Central Alberta subject to a \$2,600,000 sale and leaseback financing arrangement. This pipeline supplies injection water to both the company's properties and to the properties of other companies located in this area. The addition of a booster station at the midpoint of the 25 mile line has increased the throughput by 25%.

Construction is in progress that will double the capacity of this water supply system. The division's net crude oil production is approximately 1,300 bbls. per day. The well head prices received for crude oil are normally those set by major purchasers in a particular field and apply generally to all companies producing from that field. Considering the demand for crude there is reason to expect a price increase in early 1973. The price received for natural gas is usually set out in long term gas purchase contracts for each particular field, which contracts generally provide for price escalation.

The provinces in which the company owns reserves or interests exercise comprehensive regulatory authority, including control of the maximum allowable rates of production of crude oil and natural gas from wells on the basis of conservation principles established and administered by the respective authorities. In addition, production of most crude oil in Alberta is prorated to market in accordance with a formula established by the Energy Resources Conservation Board of Alberta, which is designed to ensure each well or field a pro rata share of the available market for crude oil production based on reserves.

Mineral Exploration

The Baker Lake uranium prospect in the Northwest Territories, in which the company has a 40% working interest, was further evaluated in the summer of 1971 by additional field work. Since the permit covering this prospect was in the final year of its three year term, the maximum allowable of 450 claims were staked within the permit area.

Panarctic Oils Ltd.

Westburne Petroleum follows the policy of spending a substantial part of its cash flow in the exploration for and development of oil and natural gas reserves. The exploration effort to date has been principally concentrated in the Canadian Arctic through its participation in Panarctic Oils Ltd. ("Panarctic").

Westburne Petroleum has a 2.258% interest in Panarctic, a venture organized by private industry and the Canadian Government to explore for oil and gas in the Arctic Islands sedimentary basin of Canada. Panarctic holds farmout agreements as of October 31, 1972 covering approximately 50,900,000 permit acres as well as 100% working interest in oil and gas exploration permits covering approximately 9,500,000 additional acres in the Arctic Islands.

The company has expended \$1,568,000 in support of the Panarctic program up to October 31, 1972 and as of that date has committed to expend the further sum of \$151,000 over the period November 1, 1972 to March 31, 1973. It is anticipated that further commitments will be made in support of Panarctic in the future. Panarctic is constituted in such a way that most participants, including Westburne Petroleum, are able to deduct from their taxable Canadian income as drilling

and exploration expenses their pro rata share of expenditures incurred by Panarctic's shareholder participants in Panarctic's drilling and exploration program including the amounts above mentioned.

Field exploration was commenced on Panarctic lands in March, 1968, when a seismograph survey party moved into the Arctic. Exploration drilling commenced in 1969 and to June 30, 1972, 22 wells had been drilled of which three resulted in significant gas discoveries, and two oil discoveries. As at October 30, 1972, 5 wells were being drilled.

There will be 13 rigs in the Islands over the winter, 4 more units than in the previous season. Panarctic will have 6 rigs under contract to drill as many as 18 wells by the summer of 1973. Discoveries to date represent between 13 trillion and 15 trillion cubic feet of gas reserves, a little over half of the 25 trillion cubic feet required to build a pipeline.

In July 1971, Panarctic announced the signing of a \$75 million agreement for an expanded gas exploration program on its lands in the Arctic Islands. Under the agreement four gas transmission companies will make these funds available to the extent of \$50,000,000 for gas exploration on Panarctic lands over the next five years, and in the event discoveries are made on Panarctic's lands, an additional \$25,000,000 will be made available in the same period for evaluation drilling. In return, these companies will receive priority to negotiate purchase of any gas developed by this program and declared surplus to Canadian requirements, at a price satisfactory to Panarctic. The gas companies will have the right to contract for gas in proportion to their participation in the project. When production from reserves developed under the arrangement is sold, repayment of the funds expended will begin from 25% of the proceeds. On final repayment, the gas companies will receive from Panarctic a total of 1% working interest in the developed gas reserves.

North Sea

Westburne entered the North Sea play in March of this year as a participant in the Siebens Group and were awarded a 5% interest in 5 permit blocks and a 2½% interest in another block comprising a total of 338,284 gross acres in British offshore areas.

The North Sea today has to be regarded as a truly major oil province with giant discoveries, vast unexplored acreage, multiple pays, high grade low sulphur oil, ready markets and stable host governments. Although exploration in this area has scarcely begun, several oil pools in the billion-barrel category have already been found and new discoveries are being reported almost daily. A recent study by a London investment banking firm (Casenove & Co.) places North Sea oil reserves already discovered at 12 billion barrels, gas reserves at 50 trillion cubic feet and also rates the current production potential at 3 million bbls. of oil per day. The success ratio in wildcatting during the past two years has been better than 30% and with pay thickness reaching 700' and individual well flow rates in excess of 10,000 barrels per day, expectations are that the North Sea will rival the Middle East someday in terms of productive capacity.

The North Sea play now appears to be developing into three distinct areas namely a southern gas province situated between the South-East Coast of England and the Netherlands, a central oil province radiating from the Norwegian offshore Ekofisk fields and a northern oil and gas province situated midway between the Shetland Islands and Norway. In addition to the North Sea proper, Britain's Atlantic coast southwest of the Shetland Islands and the Celtic Sea between England and Ireland are now also under permit and being actively explored.

Three of Westburne's permits namely blocks 2/10, 3/28 and 9/4 are located in the northern oil and gas province in the British sector of the North Sea. Block 2/10, the most northerly of the three tracts, situated some 25 miles south of the famous \$52 million 'Golden Block' has become most important in view of the recent discoveries by the Shell/Esso team in this area. The Brent oil discovery situated some 30 miles northeast of Westburne's 2/10 block is a reported billion barrel oilfield and the more recent Cormorant oil discovery offsetting the 'Golden Block' and apparently on the same structure that underlies that tract, is rumored to have reserve potential rivalling the Middle East giants. Block 9/4 and 3/28 situated some 10 to 20 miles respectively to the west-northwest of the Norwegian Frigg gas and condensate field have also become greatly enhanced in potential by the recent discoveries by Mobil and Petronord-Pan Ocean south of the Frigg field.

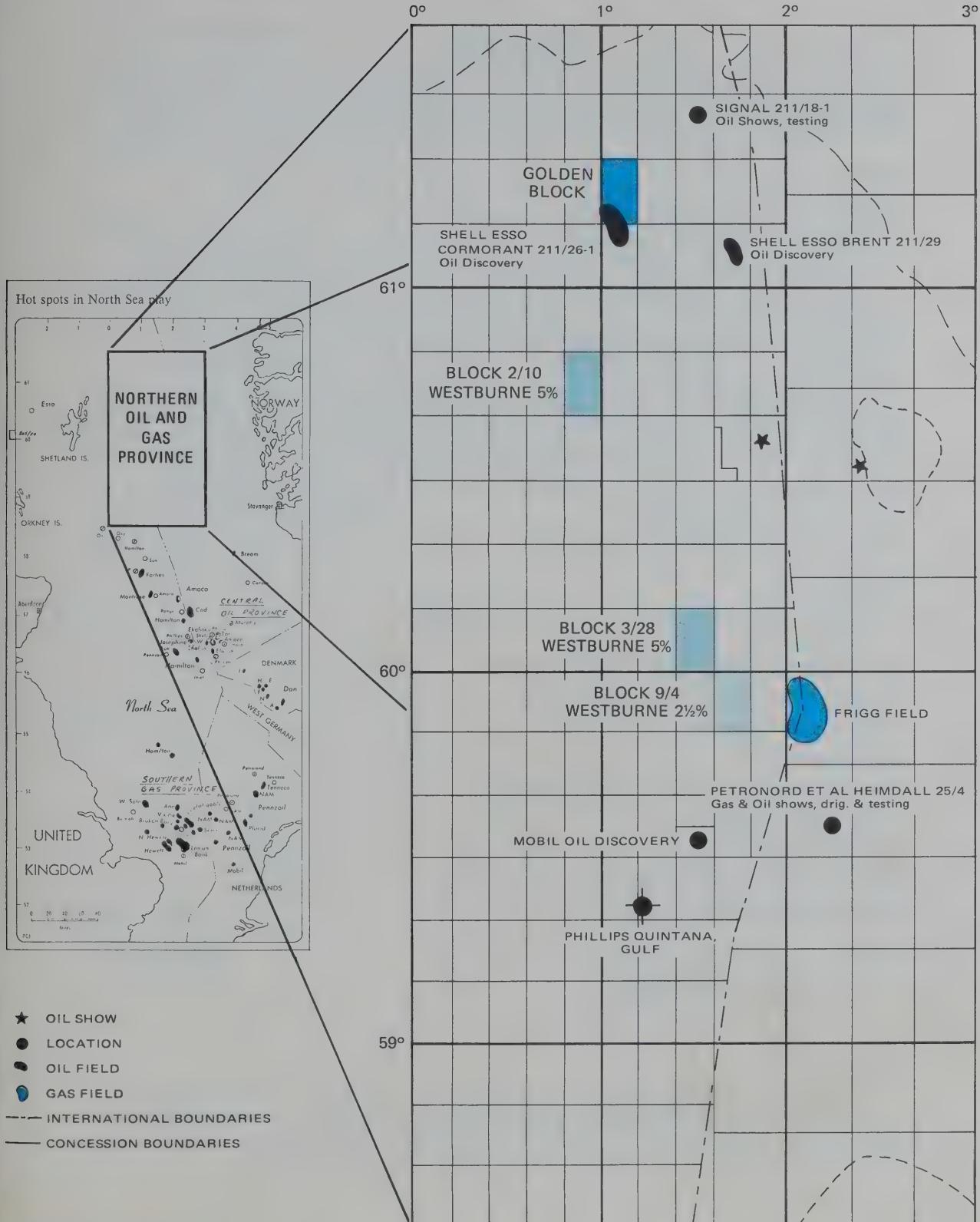
The other blocks in which Westburne has an interest are located in the offshore area west of the Shetland Islands and in the Celtic Sea. The area west of the Shetlands in which Westburne has one block, 205/30, is in the early stages of exploration with the initial permits in the area having been awarded earlier this year. Esso are drilling the first wildcat in this area some 30 miles northeast of block 205/30 and following completion of this test are expected to move about 25 miles southwest for a second wildcat.

The Celtic Sea blocks 92/10 and 103/28 are situated in British waters fairly close to the U.K.-Irish median line. Marathon has been actively exploring the Irish waters since 1961 and were rewarded with a significant gas discovery in the area in 1971. Exploration in the British sector is just underway but in view of the Marathon discovery will probably see some drilling activity fairly soon.

A marine seismic program was carried out in the spring and early summer of 1972 over each of the blocks in which Westburne has an interest. This data has now been processed and detailed reports containing seismic interpretations and drilling recommendations for each block have been recently submitted. These reports are currently being analyzed by the participants in the Siebens group and future exploration plans for this acreage are now being considered.

Although Westburne's 5% interest in this play appears at first sight to be rather modest it is of interest to note that 5% of a half billion barrels type of discovery would be of a significant nature in terms of additional oil reserves per outstanding share of the Company.

CURRENT OFFSHORE ACTIVITY AND LEASE MAP



Financial

Capitalization as at September 30, 1972 (in thousands of dollars)

Long Term Debt

Sinking Fund Debentures of a Subsidiary					
Series A 7% March 15, 1987	.....	\$ 3,958			
Series B 7½% August 1, 1982	.....	400			
Series C 8½% March 31, 1989	.....	850			
Bank Loans	.....	15,722			
Mortgages, Conditional Sales Contracts, etc.	.....	2,891			
Total Long Term Debt	.....	\$23,821			
Less Current Position	.....	3,248	\$20,573	34.0%	
Deferred Income Taxes	.....		3,027	5.0%	
Minority Interest					
Preferred Shares of a Subsidiary*	.....	2,582			
Common Shares* and Surplus of a Subsidiary	.....	710	3,292	5.4%	
Shareholders' Equity					
Preferred Shares 8% Cumulative Redeemable Convertible					
Par Value \$25.00 (199,820 Shares)*	.....	4,996			
Subordinated Preferred Shares Par Value \$10.00					
5% Cum. Redeem. Convert. Series 1969	.....	495			
6% Cum. Redeem. Convert. Series 1970	.....	1,385			
Total Preferred Shares	.....	6,876			
Common Shares P.V. \$1.00 (3,020,043 Shares)*	.....	3,020			
Contributed Surplus	.....	1,814			
Retained Earnings	.....	21,890			
Total Common Shares* and Surplus	.....	26,724			
Total Shareholders' Equity	.....		33,600	55.6%	
			\$60,492	100.0%	

* Listed on The Toronto Stock Exchange
The Montreal Stock Exchange

Business Volume

The company operating revenues for the fiscal year ended March 31, 1972 totalled some \$130,500,000 of which \$109,000,000 came from sales of merchandise, \$20,000,000 from contract drilling and \$1,500,000 from oil and gas production. For the fiscal year ending March 31, 1973 it is estimated that the operating revenue should exceed \$160,000,000.

Assets and Working Capital

As of September 30, 1972 the total assets of the company amounted to some \$107,000,000. Fixed assets at cost totalled \$36,000,000 after depreciation. Accounts receivable, less provision for bad debts and inventories at lower of cost or net realizable value were \$33,508,000 and \$26,840,000 respectively, while working capital totalled \$16,480,000 at the same date.

Financing

During the six-month period ended September 30, 1972 the company completed the financing of \$13,600,000 with several large Canadian institutions as follows:

- \$5,000,000 real estate type of debenture 9%, 20 years amortization, renegotiable every five years and repayable at any time with no penalty, for expansion of the equipment and supplies division;
- \$2,000,000 long term bank loan for equipment purchases of the drilling division;
- \$4,000,000 15 years oil production loan used partially for the repayment of an existing bank loan and for expansion of the oil and gas division;
- \$2,600,000 $7\frac{1}{2}$ - $7\frac{3}{4}\%$ 15 years sales and leaseback arrangement on the oil and gas division pipeline facilities.

Westburne International Industries Ltd.

Comparative Statement of Revenues and Expenses

for the years ended March 31, 1972
in 000 of Cdn. \$

Operating Revenues

	1968	1969
Sales of merchandise	49,722	75,209
Contract drilling	13,805	20,149
Oil and gas production	643	632
	<u>64,170</u>	<u>95,990</u>

Operating Expenses

Cost of sales—merchandise	41,625	63,287
Contract drilling	10,837	15,781
Oil and gas production	—	—
Depreciation and depletion	1,667	1,787
Selling, general and administrative	7,066	9,976
	<u>61,195</u>	<u>90,831</u>
	<u>2,975</u>	<u>5,159</u>

Earnings from Operations

Other Expenses (and Revenues)

Interest long term debt	392	518
Other interest	608	577
Interest and other investment income	(151)	(147)
Gain on sale of fixed assets	46	(83)
	<u>895</u>	<u>865</u>

Earnings before Income Taxes and

Extraordinary Item

Income taxes	1,164	1,914
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Net Earnings before Extraordinary Item

Minority interest expenses	2,080	4,294
Gain (loss) on sale of investment	238	389
Gain (loss) on foreign exchange	29	987
Non-recurring loss on termination of activity of manufacturing subsidiary	—	—
net of applicable income tax reduction	398	

Net Earnings for Years

Analysis of Earnings per Share

Basic Earnings

Before extraordinary items	0.25	0.73
Extraordinary items	0.01	0.20
Net earnings	<u>0.26</u>	<u>0.93</u>

Fully Diluted

Before extraordinary items	0.24	0.67
Extraordinary items	0.01	0.17
Net earnings	<u>0.25</u>	<u>0.84</u>

Year ended	(see Notes 1 and 2)			6 Months to September 30th	
	1970	1971	1972	1971	1972
85,039	84,686	109,358		52,721	71,017
19,372	18,608	19,604		6,116	8,411
996	1,420	1,674		789	846
<u>105,407</u>	<u>104,714</u>	<u>130,636</u>		<u>59,626</u>	<u>80,274</u>
70,810	70,669	91,010		43,452	58,598
14,303	13,510	14,720		4,614	5,939
352	573	714		322	422
2,016	1,967	2,139		958	1,023
<u>12,376</u>	<u>12,921</u>	<u>16,130</u>		<u>7,556</u>	<u>9,950</u>
<u>99,857</u>	<u>99,640</u>	<u>124,713</u>		<u>56,902</u>	<u>75,932</u>
5,550	5,074	5,923		2,724	4,342
890	1,139	1,174		575	707
659	797	707		324	566
(621)	(920)	(815)		(284)	(300)
(294)	(265)	(2)		(29)	(26)
<u>634</u>	<u>751</u>	<u>1,064</u>		<u>586</u>	<u>947</u>
4,916	4,323	4,859		2,138	3,395
1,830	909	1,536		747	1,305
3,086	3,414	3,323		1,391	2,090
349	233	240		146	141
1	—	6		—	—
—	173	41		—	23
—	—	—		—	—
<u>2,738</u>	<u>3,354</u>	<u>3,118</u>		<u>1,245</u>	<u>1,972</u>
0.98	0.92	0.85		0.33	0.57
—	0.06	0.01		—	—
<u>0.98</u>	<u>0.98</u>	<u>0.86</u>		<u>0.33</u>	<u>0.57</u>
0.89	0.79	0.75		0.30	0.48
—	0.04	0.01		—	—
<u>0.89</u>	<u>0.83</u>	<u>0.76</u>		<u>0.30</u>	<u>0.48</u>

NOTES TO COMPARATIVE STATEMENT OF REVENUE AND EXPENSES

Note 1:

The Consolidated Statement of Earnings includes the consolidated earnings of Westburne Petroleum Services Ltd. for each of its fiscal years ended March 31, and the consolidated earnings of United for each of its fiscal years ended on the preceding December 31 to December 31, 1968. In 1969 the fiscal year end of United was changed from December 31 to March 31. The consolidated loss of United for the three months ended March 31, 1969, an aggregate amount of \$317,000, is not included in the year ended March 31, 1969 but has been shown as a deduction from retained earnings in the net amount (after minority interest) of \$275,000 in the Consolidated Statement of Retained Earnings.

Note 2:

Severance of Trimac Transportation Limited

Pursuant to a Plan and Agreement entered into on December 7, 1970 and approved by the shareholders of Westburne, Trimac was resold on January 15, 1971 to the former owners of that company by delivering to them all of the issued and outstanding shares of Trimac in exchange for 1,048,000 common shares of Westburne surrendered for cancellation and payment of \$200,000. The Consolidated Statement of Earnings gives effect to the severance of Trimac by excluding Trimac earnings.

The Company has treated the cash portion (\$200,000) of the consideration received on the severance of Trimac as a reduction of selling, general and administrative expenses in the year ended March 31, 1971, as these expenses include amounts incurred in respect of the discontinued operations during the nine month period ended December 31, 1970, which were not otherwise recovered.

Employees

Westburne normally employs over 2,250 persons during the peak periods of activity of the year. When drilling operations are seasonally curtailed employees then number approximately 1,750 persons. Employees relations are good.

Control

Westburne International Industries Ltd. is a Canadian controlled company. The directors and senior officers of the company as a group own beneficially about 35% of the 3,015,693 common shares outstanding as at March 31, 1972. Further, an additional 28.5% of the common shares were owned at that date by an estate of which the Chairman and another director of the company are the two executors.

